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COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, JANUARY 14, 2000

JOINT PETITION OF

AT&T CORP.

and

CASE NO. PUA990043

MEDIAONE GROUP, INC.

For approval of change of control
of MediaOne Telecommunications
of Virginia, Inc.

ORDER GRANTING AUTHORITY

On July 21, 1999, AT&T Corp. ("AT&T") and MediaOne Group, Inc. ("MediaOne Group"), (collectively referenced as "Joint Petitioners" or "Companies") filed a joint petition with the Commission pursuant to § 56-88.1 of the Code of Virginia. In that joint petition, the Companies request approval of a proposed transaction whereby AT&T will acquire indirect control of the regulated telecommunications operations of MediaOne Telecommunications of Virginia, Inc. ("MediaOne").

Pursuant to the Agreement and Plan of Merger ("the Agreement") dated May 6, 1999, AT&T Corp. will effectively become the parent company of MediaOne Group. The stockholders of MediaOne Group will exchange their shares of stock in MediaOne Group for cash, shares of AT&T Corp. common stock, or a

combination of both. Specifically, AT&T Corp. will create Meteor Acquisition, Inc. ("Merger Sub"), a wholly owned subsidiary of AT&T Corp. MediaOne Group will merge into Merger Sub with Merger Sub as the surviving entity. Merger Sub will succeed to all assets, liabilities, and businesses of MediaOne Group. The certificates held by MediaOne Group subsidiaries will continue to be held by those subsidiaries as indirectly controlled AT&T subsidiaries.

AT&T Corp. is the corporate parent of AT&T Communications of Virginia, Inc. ("AT&T"), a certificated provider of telecommunications services in Virginia. AT&T has been providing interexchange services in Virginia since its creation pursuant to the divestiture of the Bell System on January 1, 1984. AT&T also has a certificate to provide competitive local exchange telecommunications services in Virginia.

AT&T Corp. is also the corporate parent of TCG Virginia, Inc. ("TCG"). On July 23, 1998, AT&T Corp. merged with Teleport Communications Group, Inc. and acquired controlling interest in TCG. TCG has certificates to provide both local exchange and interexchange telecommunications services in Virginia. At present, TCG provides competitive local exchange services to business customers primarily in Northern Virginia. The Commission approved AT&T Corp.'s acquisition of TCG in Case No. PUA980004.

MediaOne Group is the parent company of MediaOne. MediaOne has certificates to provide both local exchange telecommunications services and interexchange telecommunications services in Virginia. As of the date of the filing of the joint petition, Companies indicate that MediaOne was providing facilities-based local exchange telecommunications services to a limited number of customers in the Richmond area.

By Commission Order dated August 12, 1999, the Commission directed Joint Petitioners to provide notice of their petition and to provide an opportunity for comments and requests for hearing. In that Order, the Commission also extended its period of review from September 19, 1999, to January 17, 2000, and directed Staff to file a report detailing the results of its investigation on or before November 9, 1999.

Pursuant to that Order, Bell Atlantic-Virginia, Inc. ("BA-VA"), filed comments and requested a hearing on the joint petition. BA-VA expressed concern over AT&T's practice in Telecommunications, Inc.'s ("TCI") territory wherein it required potential customers to subscribe to its cable television service before receiving TCI local telephone service.

MCI WorldCom, Inc. ("MCI"), and The Virginia Citizens Consumer Council ("VCCC") also filed comments on the joint petition. MCI's comments dealt with the Commission's jurisdiction over high-speed Internet access while VCCC's

comments dealt with open access to the cable TV network for Internet service providers not affiliated with AT&T.

Pursuant to a November 3, 1999, Order, Staff filed its Report on November 23, 1999. In that Report, Staff stated that BA-VA's concern with respect to forced subscription would be resolved by the Commission's adoption of one of its recommended conditions (i.e., condition no. 3). Staff noted that MediaOne currently does not require its telephone customers to subscribe to its cable service and that adoption of the above-referenced condition would insure that such practice would continue.

Staff also addressed MCI's and VCCC's concerns regarding high-speed Internet and open access of cable TV network. Staff stated that, while it was unwilling to concede that the Commission does not have any jurisdiction over high-speed Internet access service, it believed that the Commission has no jurisdiction over such service in this case and at the present time.¹ Staff noted that open access to the cable modem platform, service classification, and proper jurisdiction are issues before the Federal Communications Commission and local cable-franchising authorities.

¹ Staff noted that once certain issues surrounding Internet services and cable open access are settled, the Commission may take further action with regard to the proposed merger if such action is warranted. Staff Report at C-7.

In its Report, Staff recommended approval of the joint petition subject to the following conditions:

- (1) that upgrades to MediaOne's network in the provision of telecommunications services in Virginia be continued based upon the schedule provided to Staff;
- (2) that quarterly reporting on telecommunications network upgrades for MediaOne in Virginia be required; and
- (3) that MediaOne not be permitted to require potential telephone subscribers to subscribe to MediaOne's cable television service without prior Commission approval.

On December 6, 1999, the Companies filed a Response to Staff's Report ("Response") and to BA-VA's request for hearing. The Companies specifically request the Commission to approve the joint petition without further proceedings and without imposing the above-referenced condition requiring the Companies to upgrade pursuant to the schedule provided to Staff. The Companies state that adoption of such condition is inappropriate because it would deny them the flexibility to adjust their schedule for changes in regulatory, technical, and economic considerations.

On that same date, BA-VA also filed Comments on Staff's Report ("Comments"). In its Comments, BA-VA requests that the Commission require certain periodic reports from AT&T concerning the number of local exchange customers who presubscribe to long

distance carriers other than AT&T. BA-VA maintains that such reporting will insure that AT&T lives up to the Commission's requirement that local exchange carriers provide its customers with equal access to all long distance carriers. BA-VA also requests the Commission to require AT&T to file a plan detailing its timetable for providing local exchange service to residential customers in MediaOne's service area with annual reports verifying compliance with such timetable.

THE COMMISSION, having considered the joint petition, Staff's Report, and the comments and pleadings filed in this proceeding, is of the opinion and finds that the proposed merger, together with the above-referenced condition #3, will neither impair nor jeopardize the provision of adequate service to the public at just and reasonable rates. Adoption of additional conditions is not warranted. The Commission will approve the merger subject to the above-referenced condition #3 without further proceedings. Accordingly,

IT IS ORDERED THAT:

(1) Pursuant to §§ 56-88.1 and 56-90 of the Code of Virginia, approval is hereby granted for the Agreement and Plan of Merger as described in the Joint Petition, subject to the above-referenced condition.

(2) A Report of Action relating to the merger shall be filed no later than sixty (60) days after consummation of the

merger and shall include the date the merger was consummated and the total amount of the transaction.

(3) There appearing nothing further to be done in this matter, it shall be dismissed.